

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE Priority Health Government Programs, Inc.

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	1,037,626	.0	1,037,626	0
2. Stocks:				
2.1 Preferred stocks			0	0
2.2 Common stocks			0	0
3. Mortgage loans on real estate:				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ encumbrances)	0	.0	0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$ 10,355,564), cash equivalents (\$ 0) and short-term investments (\$ 8,154,091)	18,509,655		18,509,655	16,825,004
6. Contract loans, (including \$ premium notes)			0	0
7. Other invested assets	0	.0	0	0
8. Receivables for securities	0	.0	0	0
9. Aggregate write-ins for invested assets	0	.0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	19,547,281	.0	19,547,281	16,825,004
11. Title plants less \$ charged off (for Title insurers only)			0	0
12. Investment income due and accrued	104,348	.0	104,348	.94,573
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	198,463	.0	198,463	.12,227
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)			0	0
13.3 Accrued retrospective premiums			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	0		0	0
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon			0	0
16.2 Net deferred tax asset			0	0
17. Guaranty funds receivable or on deposit	0		0	0
18. Electronic data processing equipment and software	0		0	0
19. Furniture and equipment, including health care delivery assets (\$)			0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	91,974	.0	91,974	.73,542
22. Health care (\$ 1,065,072) and other amounts receivable	1,082,779	.17,707	1,065,072	1,886,953
23. Aggregate write-ins for other than invested assets	0	.0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	21,024,845	17,707	21,007,138	18,892,299
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
26. Total (Lines 24 and 25)	21,024,845	17,707	21,007,138	18,892,299
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	.0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0	0
2301.				
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	.0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	0	0	0	0

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE Priority Health Government Programs, Inc.

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ 0 reinsurance ceded)	.9,535,184		.9,535,184	.7,348,662
2. Accrued medical incentive pool and bonus amounts	520,312		.520,312	.866,186
3. Unpaid claims adjustment expenses	129,812		.129,812	.116,985
4. Aggregate health policy reserves			.0	.0
5. Aggregate life policy reserves			.0	.0
6. Property/casualty unearned premium reserve			.0	.0
7. Aggregate health claim reserves			.0	.0
8. Premiums received in advance	474,830		.474,830	.168,320
9. General expenses due or accrued	.88,872		.88,872	.321,701
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized gains (losses))			.0	.0
10.2 Net deferred tax liability			.0	.0
11. Ceded reinsurance premiums payable			.0	.0
12. Amounts withheld or retained for the account of others			.0	.0
13. Remittances and items not allocated			.0	.0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			.0	.0
15. Amounts due to parent, subsidiaries and affiliates	618,122		.618,122	.659,698
16. Payable for securities			.0	.0
17. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)			.0	.0
18. Reinsurance in unauthorized companies			.0	.0
19. Net adjustments in assets and liabilities due to foreign exchange rates			.0	.0
20. Liability for amounts held under uninsured plans			.0	.0
21. Aggregate write-ins for other liabilities (including \$ current)	0	.0	.0	.0
22. Total liabilities (Lines 1 to 21)	11,367,132	.0	.11,367,132	.9,481,552
23. Aggregate write-ins for special surplus funds	XXX	XXX	.0	.0
24. Common capital stock	XXX	XXX	.10,000	.10,000
25. Preferred capital stock	XXX	XXX	.0	.0
26. Gross paid in and contributed surplus	XXX	XXX	.11,750,000	.11,750,000
27. Surplus notes	XXX	XXX	.0	.0
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	.1,000,000	.1,000,000
29. Unassigned funds (surplus)	XXX	XXX	.(3,119,994)	.(3,349,253)
30. Less treasury stock, at cost:				
30.1 shares common (value included in Line 24)	XXX	XXX	.0	.0
\$.)				
30.2 shares preferred (value included in Line 25)	XXX	XXX	.0	.0
\$.)				
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	.9,640,006	.9,410,747
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	.21,007,138	.18,892,299
DETAILS OF WRITE-INS				
2101.				
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page	0	.0	.0	.0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	0	0	0	0
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	.0	.0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801. Appropriated Retained Earnings	XXX	XXX	.1,000,000	.1,000,000
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	.0	.0
2899. Totals (Lines 2801 thru 2803 plus 2898) (Line 28 above)	XXX	XXX	.1,000,000	.1,000,000

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE Priority Health Government Programs, Inc.

STATEMENT OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year To Date
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX.....	.451,725	430,797
2. Net premium income (including \$.....0 non-health premium income).....	XXX.....	.84,998,661	65,271,588
3. Change in unearned premium reserves and reserve for rate credits	XXX.....	0	0
4. Fee-for-service (net of \$.....medical expenses).....	XXX.....	0	0
5. Risk revenue	XXX.....	0	0
6. Aggregate write-ins for other health care related revenues	XXX.....	(5,291,303)	(3,893,444)
7. Aggregate write-ins for other non-health revenues	XXX.....	0	0
8. Total revenues (Lines 2 to 7).....	XXX.....	.79,707,358	61,378,144
Hospital and Medical:			
9. Hospital/medical benefits .....		.54,061,005	39,492,744
10. Other professional services .....		.31,515	.42,010
11. Outside referrals		2,488,262	.2,402,953
12. Emergency room and out-of-area		4,648,370	5,031,729
13. Prescription drugs .....		.12,482,221	12,704,100
14. Aggregate write-ins for other hospital and medical.....	.0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		.607,021	500,474
16. Subtotal (Lines 9 to 15).....	.0	.74,318,394	60,174,010
Less:			
17. Net reinsurance recoveries		0	0
18. Total hospital and medical (Lines 16 minus 17).....	.0	.74,318,394	60,174,010
19. Non-health claims (net).....		0	0
20. Claims adjustment expenses, including \$ 88,561 cost containment expenses.....		.885,606	957,616
21. General administrative expenses.....		5,018,435	.5,426,490
22. Increase in reserves for life and accident and health contracts including \$0 increase in reserves for life only).....		0	(2,002,594)
23. Total underwriting deductions (Lines 18 through 22).....	.0	.80,222,435	64,555,522
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX.....	(515,077)	(3,177,378)
25. Net investment income earned .....		.762,042	525,190
26. Net realized capital gains (losses) less capital gains tax of \$.....		0	0
27. Net investment gains (losses) (Lines 25 plus 26).....	.0	.762,042	525,190
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)].....		0	0
29. Aggregate write-ins for other income or expenses .....	.0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX.....	.246,965	(2,652,188)
31. Federal and foreign income taxes incurred	XXX.....	0	0
32. Net income (loss) (Lines 30 minus 31).....	XXX.....	.246,965	(2,652,188)
DETAILS OF WRITE-INS			
0601. QAAP Assessment.....	XXX.....	(5,291,303)	(3,893,444)
0602.	XXX.....	0	0
0603.	XXX.....	0	0
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX.....	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	XXX.....	(5,291,303)	(3,893,444)
0701.	XXX.....	0	0
0702.	XXX.....	0	0
0703.	XXX.....	0	0
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX.....	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above).....	XXX.....	0	0
1401.	0	0	0
1402.	0	0	0
1403.	0	0	0
1498. Summary of remaining write-ins for Line 14 from overflow page .....	.0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	0	0	0
2901. ....	.0	0	0
2902.	0	0	0
2903.	0	0	0
2998. Summary of remaining write-ins for Line 29 from overflow page .....	.0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	0	0	0

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE Priority Health Government Programs, Inc.

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year
CAPITAL AND SURPLUS ACCOUNT:			
33. Capital and surplus prior reporting year.....	9,410,747	4,660,069	4,660,069
34. Net income or (loss) from Line 32.....	246,965	(2,652,188)	810,831
35. Change in valuation basis of aggregate policy and claim reserves	0	0	0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$	0	0	0
37. Change in net unrealized foreign exchange capital gain or (loss)	0	0	0
38. Change in net deferred income tax	0	0	0
39. Change in nonadmitted assets	(17,706)	189,847	189,847
40. Change in unauthorized reinsurance	0	0	0
41. Change in treasury stock	0	0	0
42. Change in surplus notes	0	0	0
43. Cumulative effect of changes in accounting principles	0	0	0
44. Capital Changes:			
44.1 Paid in	1,200,000	0	0
44.2 Transferred from surplus (Stock Dividend)	0	0	0
44.3 Transferred to surplus	0	0	0
45. Surplus adjustments:			
45.1 Paid in	0	3,750,000	0
45.2 Transferred to capital (Stock Dividend)	0	0	0
45.3 Transferred from capital	0	0	0
46. Dividends to stockholders	0	0	0
47. Aggregate write-ins for gains or (losses) in surplus	0	0	0
48. Net change in capital & surplus (Lines 34 to 47)	229,259	(1,262,341)	4,750,678
49. Capital and surplus end of reporting period (Line 33 plus 48)	9,640,006	3,397,728	9,410,747
DETAILS OF WRITE-INS			
4701.			
4702.			
4703.			
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	0	0	0

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE Priority Health Government Programs, Inc.

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance.....	85,118,935	89,665,360
2. Net investment income	750,204	699,047
3. Miscellaneous income	(5,178,771)	(4,871,361)
4. Total (Lines 1 to 3)	80,690,368	85,493,046
5. Benefits and loss related payments	71,786,103	79,596,528
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	6,124,043	8,516,594
8. Dividends paid to policyholders	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9)	77,910,146	88,113,122
11. Net cash from operations (Line 4 minus Line 10)	2,780,222	(2,620,076)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	0	0
12.2 Stocks	0	0
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	58,646	116,099
12.7 Miscellaneous proceeds	0	360,000
12.8 Total investment proceeds (Lines 12.1 to 12.7)	58,646	476,099
13. Cost of investments acquired (long-term only):		
13.1 Bonds	1,035,563	0
13.2 Stocks	0	0
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	58,646	116,099
13.7 Total investments acquired (Lines 13.1 to 13.6)	1,094,209	116,099
14. Net increase (or decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(1,035,563)	360,000
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	3,750,000
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	0	0
16.6 Other cash provided (applied).....	(60,008)	428,973
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(60,008)	4,178,973
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	1,684,651	1,918,897
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	16,825,004	14,906,107
19.2 End of period (Line 18 plus Line 19.1)	18,509,655	16,825,004

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE Priority Health Government Programs, Inc.

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1 Total	2 Individual	3 Group	4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Other
Total Members at end of:										
1. Prior Year	49,730		1,113	0	0	0	0	0	48,617	0
2. First Quarter	49,931		1,086	0	0	0	0	0	48,845	0
3. Second Quarter	50,227		1,110	0	0	0	0	0	49,117	0
4. Third Quarter	50,484		1,087						49,397	
5. Current Year	0									
6. Current Year Member Months	451,725		9,904						441,821	
Total Member Ambulatory Encounters for Period:										
7. Physician	377,336		4,448						372,888	
8. Non-Physician	10,232		121						10,111	
9. Total	387,568		4,569	0	0	0	0	0	382,999	0
10. Hospital Patient Days Incurred	12,317		25						12,292	
11. Number of Inpatient Admissions	3,230		10						3,220	
12. Health Premiums Written	79,829,175		795,503						79,033,672	
13. Life Premiums Direct	0									
14. Property/Casualty Premiums Written	0									
15. Health Premiums Earned	79,707,358		794,289						78,913,069	
16. Property/Casualty Premiums Earned	0									
17. Amount Paid for Provision of Health Care Services	72,614,485		563,035					72,061,450		
18. Amount Incurred for Provision of Health Care Services	74,318,394		623,768					73,694,626		

(a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees \$

CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

		Aging Analysis of Unpaid Claims						
		1	2	3	4	5	6	7
		Account	1 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	Over 120 Days	Total
Claims Unpaid (Reported)								
0199999 Individually Listed Claims Unpaid								
0299999 Aggregate Accounts Not Individually Listed-Uncovered								
0399999 Aggregate Accounts Not Individually Listed-Covered								
0499999 Subtotals								
0599999 Unreported Claims and Other Claim Reserves								
0699999 Total Amounts Withheld								
0799999 Total Claims Unpaid								
0899999 Accrued Medical Incentive Pool and Bonus Amounts								

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE Priority Health Government Programs, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT
ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability Dec. 31 of Prior Year
	1 On Claims Incurred to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid Dec. 31 of Prior Year	4 Claims Incurred During the Year		
1. Comprehensive (hospital & medical)	45,371	507,664	.....	114,065	46,645	44,606
2. Medicare Supplement .....	.....	.....	.....	.....	0	0
3. Dental Only .....	.....	.....	.....	.....	0	0
4. Vision Only .....	.....	.....	.....	.....	0	0
5. Federal Employees Health Benefits Plan .....	.....	.....	.....	.....	0	0
6. Title XVIII - Medicare .....	.....	.....	.....	.....	0	0
7. Title XIX - Medicaid	7,093,535	67,746,129	.....	9,315,762	7,197,618	7,304,056
8. Other Health .....	.....	.....	.....	.....	0	0
9. Health Subtotal (Lines 1 to 8)	7,138,906	68,253,793	.....	105,357	9,429,827	7,244,263
10. Healthcare receivables (a)	830,005	2,901,105	.....	1,153,040	830,005	1,016,302
11. Other non-health .....	.....	.....	.....	.....	0	0
12. Medical incentive pools and bonus amounts	952,895	520,312	.....	952,895	866,186	866,186
13. Totals	7,261,796	65,352,688	.....	105,357	8,797,099	7,367,153

(a) Excludes \$ 0 loans and advances to providers not yet expensed.

NOTES TO FINANCIAL STATEMENTS

	HEALTH	
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2	Accounting Changes and Correction of Errors	10.1
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4	Discontinued Operations	10.1
5	Investments	10.1
6	Joint Ventures, Partnerships and Limited Liability Companies	10.1
7	Investment Income	10.1
8	Derivative Instruments	10.1
9	Income Taxes	10.1
10	Information Concerning Parent, Subsidiaries, and Affiliates	10.1
11	Debt	10.1
12	Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans	
13	Capital and Surplus, Shareholder's Dividend Restrictions, and Quasi-Reorganizations	10.1
14	Contingencies	10.1
15	Leases	10.1
16	Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk	10.1
17	Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities	10.1
18	Gain of Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans	10.2
19	Direct Premium Written/Produced by Managing General Agents/Third Party Administrators	10.2
20	September 11 Events	10.2
21	Other Items	10.2
22	Events Subsequent	10.2
23	Reinsurance	10.2
24	Retrospectively Rated Contracts & Contracts Subject to Redetermination	10.2
25	Change in Incurred Claims and Claim Adjustment Expenses	10.2
26	Intercompany Pooling Arrangements	10.2
27	Structured Settlements	10.2
28	Health Care Receivables	10.2
29	Participating Policies	10.2
30	Premium Deficiency Reserves	10.2
31	Anticipated Salvage and Subrogation	10.2

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

No material changes from year end disclosures.

2. Accounting Changes and Correction of Errors

No material changes from year end disclosures.

3. Business Combinations and Goodwill

No material changes from year end disclosures.

4. Discontinued Operations

No material changes from year end disclosures.

5. Investments

No material changes from year end disclosures.

6. Joint Ventures, Partnerships and Limited Liability Companies

No material changes from year end disclosures.

7. Investment Income

No material changes from year end disclosures.

8. Derivative Instruments

No material changes from year end disclosures.

9. Income Taxes

No material changes from year end disclosures.

10. Information Concerning Parent, Subsidiaries, and Affiliates

No material changes from year end disclosures.

11. Debt

No material changes from year end disclosures.

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

No material changes from year end disclosures.

13. Capital and Surplus, Shareholder's Dividend Restrictions, and Quasi-Reorganizations

No material changes from year end disclosures.

14. Contingencies

No material changes from year end disclosures.

15. Leases

No material changes from year end disclosures.

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

No material changes from year end disclosures.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

No material changes from year end disclosures.

NOTES TO FINANCIAL STATEMENTS

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

No material changes from year end disclosures.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

No material changes from year end disclosures.

20. September 11 Events

No material changes from year end disclosures.

21. Other Items

No material changes from year end disclosures.

22. Events Subsequent

No material changes from year end disclosures.

23. Reinsurance

No material changes from year end disclosures.

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

No material changes from year end disclosures.

25. Change in Incurred Claims and Claim Adjustment Expenses

No material changes from year end disclosures.

26. Intercompany Pooling Arrangements

No material changes from year end disclosures.

27. Structured Settlements

No material changes from year end disclosures.

28. Health Care Receivables

No material changes from year end disclosures.

29. Participating Policies

No material changes from year end disclosures.

30. Premium Deficiency Reserves

No material changes from year end disclosures.

31. Anticipated Salvage and Subrogation

No material changes from year end disclosures.

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE Priority Health Government Programs, Inc.

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted.)

PART 1 - COMMON INTERROGATORIES GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [] No [X]

1.2 If yes, has the report been filed with the domiciliary state? Yes [] No []

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]

2.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.

3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [] No [X]
If yes, complete the Schedule Y - Part 1 - organizational chart.

4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]

4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [] No [X] NA []
If yes, attach an explanation.

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2006

6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2003

6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 04/04/2005

6.4 By what department or departments?
OFIS.....

7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?..... Yes [] No [X]

7.2 If yes, give full information:
.....

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?..... Yes [] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
.....

8.3 Is the company affiliated with one or more banks, thrifts or securities firms?..... Yes [] No [X]

8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

1	2 Location (City, State)	3	4	5	6	7
Affiliate Name		FRB	OCC	OTS	FDIC	SEC

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE Priority Health Government Programs, Inc.**GENERAL INTERROGATORIES**

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?..... Yes [X] No []
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
 - (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
 - (c) Compliance with applicable governmental laws, rules and regulations;
 - (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
 - (e) Accountability for adherence to the code.
- 9.11 If the response to 9.1 is No, please explain:
-
- 9.2 Has the code of ethics for senior managers been amended?..... Yes [] No [X]
- 9.21 If the response to 9.2 is Yes, provide information related to amendment(s).
-
- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers?..... Yes [] No [X]
- 9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).
-

FINANCIAL

- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?..... Yes [X] No []
- 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 30,090

INVESTMENT

- 11.1 Has there been any change in the reporting entity's own preferred or common stock? Yes [] No [X]
- 11.2 If yes, explain:
-

- 12.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes [] No [X]

- 12.2 If yes, give full and complete information relating thereto:
-

13. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$ 0

14. Amount of real estate and mortgages held in short-term investments: \$ 0

- 15.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes [] No [X]

- 15.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
15.21 Bonds	\$	\$
15.22 Preferred Stock	\$	\$
15.23 Common Stock	\$	\$
15.24 Short-Term Investments	\$	\$
15.25 Mortgage Loans on Real Estate	\$	\$
15.26 All Other	\$	\$
15.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 15.21 to 15.26).....	\$0	\$0
15.28 Total Investment in Parent included in Lines 15.21 to 15.26 above	\$	\$

- 16.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [] No [X]

- 16.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No []
If no, attach a description with this statement.

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE Priority Health Government Programs, Inc.

GENERAL INTERROGATORIES

17. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes [] No [X]

- 17.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
Mellon Trust.....	Pittsburgh, PA.....

- 17.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
Michigan Department of Treasury.....	Lansing, MI.....	Statutory Deposit - Held by the State of Michigan.....

- 17.3 Have there been any changes, including name changes in the custodian(s) identified in 17.1 during the current quarter?

Yes [] No [X]

- 17.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

- 17.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address
n/a.....	Prime Advisors, Inc.....	Bloomfield, CT.....

- 18.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed?

Yes [X] No []

- 18.2 If no, list exceptions:

.....

SCHEDULE A - VERIFICATION

Real Estate

	1 Year to Date	2 Prior Year Ended December 31
NONE		
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Increase (decrease) by adjustment	0	0
3. Cost of acquired	0	0
4. Cost of additions to and permanent improvements	0	0
5. Total profit (loss) on sales	0	0
6. Increase (decrease) by foreign exchange adjustment	0	0
7. Amount received on sales	0	0
8. Book/adjusted carrying value at end of current period	0	0
9. Total valuation allowance	0	0
10. Subtotal (Lines 8 plus 9)	0	0
11. Total nonadmitted amounts	0	0
12. Statement value, current period (Page 2, real estate lines, Net Admitted Assets column)	0	0

SCHEDULE B – VERIFICATION

Mortgage Loans

	1 Year to Date	2 Prior Year Ended December 31
NONE		
1. Book value/recruited investment excluding accrued interest on mortgages owned at end of current period	0	0
2. Amount loaned during period:		
2.1. Actual cost at time of acquisitions	0	0
2.2. Additional investment made after acquisitions	0	0
3. Accrual of discount and mortgage interest points and commitment fees	0	0
4. Increase (decrease) by adjustment	0	0
5. Total profit (loss) on sale	0	0
6. Amounts paid on account or in full during the period	0	0
7. Amortization of premium	0	0
8. Increase (decrease) by foreign exchange adjustment	0	0
9. Book value/recruited investment excluding accrued interest on mortgages owned at end of current period	0	0
10. Total valuation allowance	0	0
11. Subtotal (Lines 9 plus 10)	0	0
12. Total nonadmitted amounts	0	0
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column)	0	0

SCHEDULE BA – VERIFICATION

Other Invested Assets

	1 Year to Date	2 Prior Year Ended December 31
NONE		
1. Book/adjusted carrying value of long-term invested assets at end of December 31 of prior year	0	0
2. Cost of acquisitions during period:		
2.1. Actual cost at time of acquisitions	0	0
2.2. Additional investment made after acquisitions	0	0
3. Accrual of discount	0	0
4. Increase (decrease) by adjustment	0	0
5. Total profit (loss) on sale	0	0
6. Amounts paid on account or in full during the period	0	0
7. Amortization of premium	0	0
8. Increase (decrease) by foreign exchange adjustment	0	0
9. Book/adjusted carrying value of long-term invested assets at end of current period	0	0
10. Total valuation allowance	0	0
11. Subtotal (Lines 9 plus 10)	0	0
12. Total nonadmitted amounts	0	0
13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)	0	0

SCHEDULE D – VERIFICATION

Bonds and Stocks

	1 Year to Date	2 Prior Year Ended December 31
NONE		
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	0	0
2. Cost of bonds and stocks acquired	1,035,563	0
3. Accrual of discount	2,063	0
4. Increase (decrease) by adjustment	0	0
5. Increase (decrease) by foreign exchange adjustment	0	0
6. Total profit (loss) on disposal	0	0
7. Consideration for bonds and stocks disposed of	0	0
8. Amortization of premium	0	0
9. Book/adjusted carrying value, current period	1,037,626	0
10. Total valuation allowance	0	0
11. Subtotal (Lines 9 plus 10)	1,037,626	0
12. Total nonadmitted amounts	0	0
13. Statement value	1,037,626	0

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE Priority Health Government Programs, Inc.

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1	9,086,052	3,380,537	3,290,484	15,611	8,976,344	9,086,052	9,191,716	8,861,901
2. Class 2	0	0	0	0	0	0	0	0
3. Class 3	0	0	0	0	0	0	0	0
4. Class 4	0	0	0	0	0	0	0	0
5. Class 5	0	0	0	0	0	0	0	0
6. Class 6	0	0	0	0	0	0	0	0
7. Total Bonds	9,086,052	3,380,537	3,290,484	15,611	8,976,344	9,086,052	9,191,716	8,861,901
PREFERRED STOCK								
8. Class 1	0	0	0	0	0	0	0	0
9. Class 2	0	0	0	0	0	0	0	0
10. Class 3	0	0	0	0	0	0	0	0
11. Class 4	0	0	0	0	0	0	0	0
12. Class 5	0	0	0	0	0	0	0	0
13. Class 6	0	0	0	0	0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds and Preferred Stock	9,086,052	3,380,537	3,290,484	15,611	8,976,344	9,086,052	9,191,716	8,861,901

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE Priority Health Government Programs, Inc.

SCHEDULE DA - PART 1

Short-Term Investments Owned End of Current Quarter					
	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
82999999 Totals	8,154,091	XXX	8,129,403	291,095	

SCHEDULE DA - PART 2- VERIFICATION

Short-Term Investments Owned		1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....		8,861,901	8,546,140
2. Cost of short-term investments acquired		12,191,833	17,962,853
3. Increase (decrease) by adjustment		58,646	116,099
4. Increase (decrease) by foreign exchange adjustment			0
5. Total profit (loss) on disposal of short-term investments			0
6. Consideration received on disposal of short-term investments		12,958,289	17,763,191
7. Book/adjusted carrying value, current period		8,154,091	8,861,901
8. Total valuation allowance			0
9. Subtotal (Lines 7 plus 8)		8,154,091	8,861,901
10. Total nonadmitted amounts			0
11. Statement value (Lines 9 minus 10)		8,154,091	8,861,901
12. Income collected during period		338,953	320,867
13. Income earned during period		344,366	375,035

Schedule DB - Part F - Section 1
NONE

Schedule DB - Part F - Section 2
NONE

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE Priority Health Government Programs, Inc.

SCHEDULE S - CEDED REINSURANCE

Showing All New Reinsurance Treaties - Current Year to Date

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE Priority Health Government Programs, Inc.

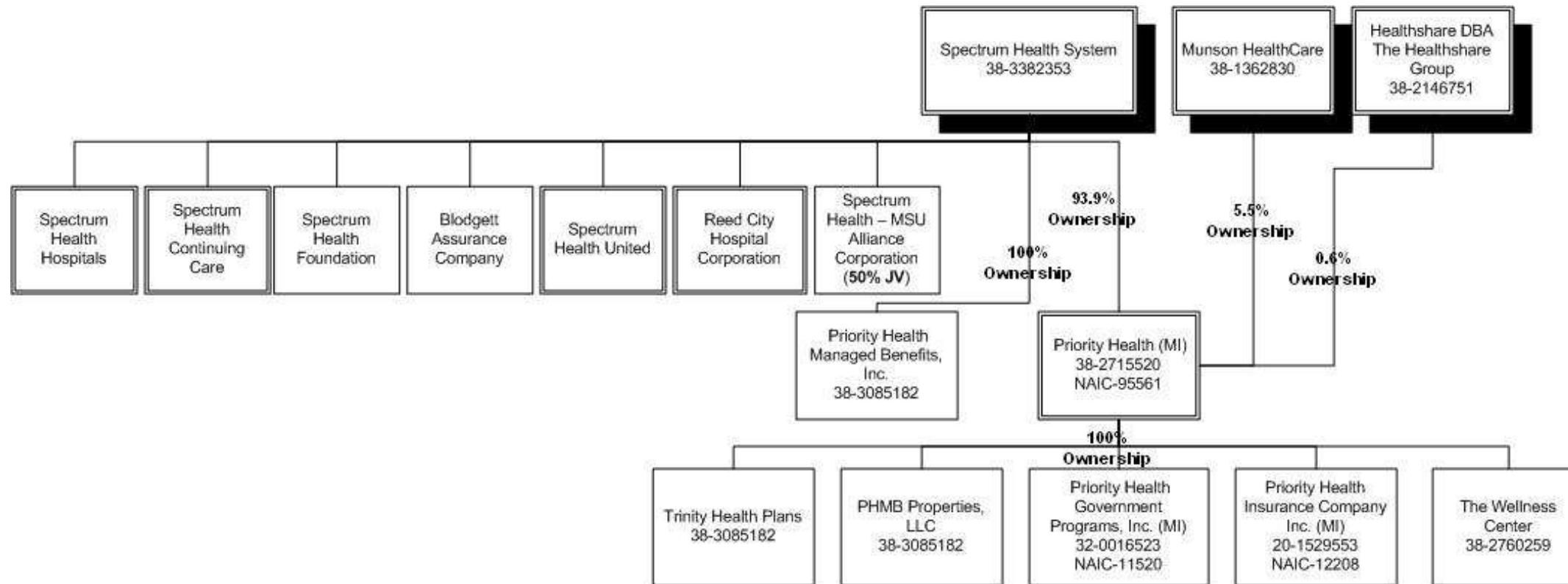
SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Current Year to Date - Allocated by States and Territories

States, Etc.	1 Is Insurer Licensed (Yes or No)	Direct Business Only							9 Deposit-Type Contracts
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefit Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/ Casualty Premiums	8 Total Columns 2 Through 7	
1. Alabama	AL	No.							0
2. Alaska	AK	No.							0
3. Arizona	AZ	No.							0
4. Arkansas	AR	No.							0
5. California	CA	No.							0
6. Colorado	CO	No.							0
7. Connecticut	CT	No.							0
8. Delaware	DE	No.							0
9. District of Columbia	DC	No.							0
10. Florida	FL	No.							0
11. Georgia	GA	No.							0
12. Hawaii	HI	No.							0
13. Idaho	ID	No.							0
14. Illinois	IL	No.							0
15. Indiana	IN	No.							0
16. Iowa	IA	No.							0
17. Kansas	KS	No.							0
18. Kentucky	KY	No.							0
19. Louisiana	LA	No.							0
20. Maine	ME	No.							0
21. Maryland	MD	No.							0
22. Massachusetts	MA	No.							0
23. Michigan	MI	Yes	795,503		79,033,672				79,829,175
24. Minnesota	MN	No.							0
25. Mississippi	MS	No.							0
26. Missouri	MO	No.							0
27. Montana	MT	No.							0
28. Nebraska	NE	No.							0
29. Nevada	NV	No.							0
30. New Hampshire	NH	No.							0
31. New Jersey	NJ	No.							0
32. New Mexico	NM	No.							0
33. New York	NY	No.							0
34. North Carolina	NC	No.							0
35. North Dakota	ND	No.							0
36. Ohio	OH	No.							0
37. Oklahoma	OK	No.							0
38. Oregon	OR	No.							0
39. Pennsylvania	PA	No.							0
40. Rhode Island	RI	No.							0
41. South Carolina	SC	No.							0
42. South Dakota	SD	No.							0
43. Tennessee	TN	No.							0
44. Texas	TX	No.							0
45. Utah	UT	No.							0
46. Vermont	VT	No.							0
47. Virginia	VA	No.							0
48. Washington	WA	No.							0
49. West Virginia	WV	No.							0
50. Wisconsin	WI	No.							0
51. Wyoming	WY	No.							0
52. American Samoa	AS	No.							0
53. Guam	GU	No.							0
54. Puerto Rico	PR	No.							0
55. U.S. Virgin Islands	VI	No.							0
56. Northern Mariana Islands	MP	No.							0
57. Canada	CN	No.							0
58. Aggregate Other Alien	OT	XXX	.0	.0	.0	0	0	0	0
59. Subtotal		XXX	795,503	.0	79,033,672	0	0	79,829,175	0
60. Reporting entity contributions for Employee Benefit Plans		XXX							0
61. Total (Direct Business)	(a)	1	795,503	0	79,033,672	0	0	79,829,175	0
DETAILS OF WRITE-INS									
5801		XXX							
5802		XXX							
5803		XXX							
5898. Summary of remaining write-ins for Line 58 from overflow page		XXX	.0	.0	.0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)		XXX	0	0	0	0	0	0	0

(a) Insert the number of yes responses except for Canada and other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplemental is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

RESPONSE

1. Will the Medicare Part D Coverage Statement be filed with the state of domicile and the NAIC with this statement?

.....NO.....

Explanation:

1.

Bar Code:

1.



OVERFLOW PAGE FOR WRITE-INS

Schedule A - Part 2
NONE

Schedule A - Part 3
NONE

Schedule B - Part 1
NONE

Schedule B - Part 2
NONE

Schedule BA - Part 1
NONE

Schedule BA - Part 2
NONE

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE Priority Health Government Programs, Inc.

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator ^(a)
.912828-BG-4.....	US TREASURY N/B.....		08/07/2007.....	NATIONAL CITY BANK.....	1,035,563.....	1,035,563.....	1,050,000.....	16,403.....	.....
0399999 - Total - Bonds - U.S. Government						1,035,563	1,050,000	16,403	XXX
6099997 - Total - Bonds - Part 3						1,035,563	1,050,000	16,403	XXX
6099999 - Total - Bonds						1,035,563	1,050,000	16,403	XXX
6599999 - Total - Preferred Stocks						0	XXX	0	XXX
7299999 - Total - Common Stocks						0	XXX	0	XXX
7399999 - Total - Preferred and Common Stocks						0	XXX	0	XXX
7499999 - Totals						1,035,563	XXX	16,403	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues0

Schedule D - Part 4
NONE

Schedule DB - Part A - Section 1
NONE

Schedule DB - Part B - Section 1
NONE

Schedule DB - Part C - Section 1
NONE

Schedule DB - Part D - Section 1
NONE

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE Priority Health Government Programs, Inc.

SCHEDULE E - PART 1 - CASH

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE Priority Health Government Programs, Inc.

SCHEDULE E - PART 2 CASH EQUIVALENTS

Showing Investments Owned End of Current Quarter

Showing Investments Owned End of Current Quarter							
1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due and Accrued	8 Gross Investment Income

NONE

0199999 Total Cash Equivalents

60